

Message Text

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44

ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 CAB-09 CIAE-00 COME-00

DODE-00 DOTE-00 INR-11 NSAE-00 RSC-01 FAA-00 PM-07

H-03 L-03 NSC-07 PA-04 PRS-01 SP-03 SS-20 USIA-15

TRSE-00 OMB-01 AID-20 FRB-03 XMB-07 DRC-01 (ISO) W

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E.O. 11652: N/A

TAGS: ETRN, SZ

SUBJECT: CIVAIR: FOREIGN GOVERNMENT SUBSIDIES TO FOREIGN
AIRLINES - SWITZERLAND

REF: STATE 162608

1. SUMMARY. INFORMATION OBTAINED FROM GOS AND SWISS-
AIR SOURCES INDICATES ONLY SIGNIFICANT GOS ASSISTANCE
TO NATIONAL CARRIERS (SWISSAIR AND ITS CHARTER SUB-
SIDIARY BALAIR IS GOVERNMENT FINANCED PILOT TRAINING.
END SUMMARY.

2. FOLLOWING INFORMATION OBTAINED FROM SWISS FEDERAL
AIR OFFICE, SWISS NATIONAL TOURIST OFFICE, AND SWISS-
AIR KEYED TO QUESTIONS RAISED REFTEL:

A. ALTHOUGH PUBLIC INSTITUTIONS (FEDERAL GOVERNMENT,
CANTONS, MUNICIPALITIES, AND CANTONAL BANKS) HOLD ABOUT
24 PERCENT OF REGISTERED SWISSAIR STOCK, THIS HAS NOT
BEEN SUBSIDY FOR SWISSAIR BUT RATHER A GOOD INVESTMENT
FOR PUBLIC INSTITUTIONS (SINCE 1951 COMPANY HAS PAID

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ANNUAL DIVIDENDS OF 4 TO 7 PERCENT).

B. IN 1950 SIWSSAIR RECEIVED INTEREST-FREE LAON FROM FEDERAL GOVERNMENT FOR PURCHASE TWO DC-6-B AIRCRAFT FROM US. SWISSAIR WAS HAVING FINANCIAL DIFFICULTIES AT THAT TIME AND COMMERCIAL BANKS WOULD NOT PROVIDE FINANCING. ALTHOUGH LOAN FOR NINE YEARS, BY 1956 IT HAS BEEN REPAID AND SWISSAIR HAS HAD NO FURTHER NEED FOR SUCH CONCES-SIONAL LOANS. ALL FINANCING NOW OBTAINED FROM COMPANY'S OWN RESOURCES OR CAPITAL MARKET. BOND ISSUES REGULARLY OVERSUBSCRIBED.

C. GIVEN FINANCIAL STRENGTH OF SWISSAIR AND BALAIR NO GOS GUARANTEES NEEDED. ONLY SUSIDY SWISSAIR HAS RECEIVED FOR ACQUISITION OF EQUIPMENT HAS BEEN FROM USG IN FORM OF EXIMBANK LOANS.

D. ADVERTISING BY SWISS NATIONAL TOURIST OFFICE IS INDEPENDENT OF SWISSAIR AND BALAIR AND MAKES NO MENTION OF NATIONAL CARRIERS. ALTHOUGH SWISSAIR CARRIES LARGER SHARE OF PASSENGER TRAFFIC FROM US TO SWITZERLAND THAN TWA, SWISSAIR AND GOS OFFICIALS MAINTAIN THAT UNDER BILATERAL AIR AGREEMENT BOTH CARRIERS HAVE EQUAL OPPORTUNI-TIES AND SWISSAIR DOMINANCE DUE TO BETTER SERVICE AND MORE AGGRESSIVE MERCHANDISING WITHOUT GOS ASSISTANCE.

E. NATIONAL TOURIST OFFICES ABROAD HELP DISTRIBUTE PROMOTIONAL MATERIALS SUPPLIED FREE BY SWISSAIR AND BALAIR (AS DO REGULAR TRAVEL AGENCIES). TOURIST OFFICE, HOWEVER, HAS REFUSED ACCEPT SWISSAIR OFFER TO FINANCE PART OF PUBLICATION AND DISTRIBUTION COSTS OF OFFICIAL GOS TRAVEL PROMOTION LITERATURE WHICH DOES NOT MENTION NATIONAL CARRIERS.

F. GOS REGULATIONS REQUIRE ALL SWISS DIPLOMATIC MAIL BE CARRIED BY SWISSAIR TO EXTENT POSSIBLE. SWISS POSTAL SERVICE, HOWEVER, INDEPENDENT AGENCY AND SHIPS PRIVATE MAIL BY BEST MEANS AT STANDARDIZED INTERNATIONAL RATES.

G. ALL GOS INTERNATIONAL AIR SHIPMENTS, INCLUDING MILI-TARY EQUIPMENT, MUST BE SHIPPED BY SWISSAIR TO EXTENT POSSIBLE. GOVERNMENT REGULATIONS REQUIRE SWISSAIR GIVE GOS 20 PERCENT DISCOUNT FROM COMMERCIAL RATES.

H. SWISSAIR PAYS SAME FEES AS FOREIGN CARRIERS FOR SERVICES RENDERED BY GOS AGENCIES.

I. GOS HAS CIVILAIN AND MILITARY PILOT TRAINING PROGRAMS WHICH BENEFIT SWISSAIR AND BALAIR. AT AGE 17-18 YEARS LIMITED OFFICIAL USE

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ANY SWISS YOUTH WHO WANTS TO BE A PILOT CAN TAKE APTITUDE TESTS FOR TWO-STAGE GOS FINANCED CIVILIAN PILOT TRAINING PROGRAM. OF 150 ACCEPTED (OUT OF AVERAGE 600 EXAMINEES), APPROXIMATELY 90 WILL COMPLETE FIRST STATE AND RECEIVE PRIVATE LICENSE. OF THESE ABOUT 80 WILL GO ON TO SECOND STAGE AND 30-40 WILL FINISH AND RECEIVE COMMERCIAL LICENSE. GRADUATES CAN GO ON TO MILITARY OR COMMERCIAL TRAINING. SINCE ALL SWISS CITIZENS HAVE MILITARY

OBLIGATION TO FULILL, MOST OPT FOR MILITARY INITIALLY.
MANY THEN GO ON TO SWISSAIR TRAINING AFTER COMPLETION
MILITARY SERVICE. MILITARY PILOT TRAINING PROGRAM RUN
BY SWISSAIR UNDER CONTRACT TO GOS. MAJORITY OF SWISS-
AIR'S SWISS PILOTS (ABOUT 25 PERCENT OF SWISSAIR PILOTS
ARE FOREIGNERS) ARE PRODUCTS OF TWO-STATE CIVILIAN PRO-
GRAM AND MILITARY TRAINING.

J. ALTHOUGH SWISSAIR FLIES ONLY TWO EXCLUSIVELY DOMES-
TIC ROUTES (ZURICH-GENEVA AND ZURICH-BASEL), IT RECEIVES
NO SPECIAL SUBSIDIES FROM GOS AND THESE ROUTES CONTRIBUTE
INFINTESIMAL AMOUNT TO SWISSAIR TOTAL
PASSENGER RENVENUES.

K. SWISSAIR DOES NOT OPERATE ANY SWISS MANUFACTURED COM-
MERCIAL AIRCRAFT - ALL ARE US.
PERCIVAL

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